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SPARLINGS

Directors

- W. ADSHEAD — Chairman of Board
- J. P. LOCKINGTON — President
- L. BROWN
- J. BRUK
- B. COMPTON
- J. S. DONALDSON
- S. LOCKINGTON
- B. PHILLEY
- G. SPARLING

Report for the Six Months Ended
August 31, 1972

GEORGE SPARLING LTD.
120 West 4th Avenue
Vancouver 10, B.C.

GEORGE SPARLING LTD.

To the Shareholders:

On behalf of the Board of Directors, I am pleased to present the results of your company's operations for the first half of our current fiscal year.

Sales for the period were \$3,138,755, an increase of \$360,561 over the corresponding period last year. Nearly half of this increase, however, is a result of sales from our new Toronto institutional outlet which has just now passed the break-even point. While this operation is on schedule in terms of results, it is contributing to our sales figures without adding to our net income. This has the effect of reducing our net income as a percentage of sales.

Early indications in the second half are that our sales volume increases should be maintained at the same rate and we anticipate a year end profit figure in excess of last year's figures.

Since our last report to you, we have opened a new branch store in Kamloops, B.C., the operation of which has, in the first few months, exceeded our earlier expectations. We are also in the process of relocating our main Vancouver institutional sales outlet in a building of its own. This will have the combined effect of allowing this branch unrestricted growth potential and at the same time enabling our present building to function more productively as a central branch warehouse and administration centre.

These moves are all aimed at keeping your company in the forefront of the Canadian sporting goods industry in order to maintain the growth pattern we have shown over the years.

J. P. LOCKINGTON
President

October 24, 1972
Vancouver, B.C.

GEORGE SPARLING LTD. and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED AUGUST 31, 1972

	1972	1971
Sales	\$3,138,755	\$2,778,194
Net Income Before Income Taxes	\$ 254,828	\$ 251,741
Estimated Income Taxes	120,873	121,897
Net Income for the Period	\$ 133,955	\$ 129,844
Ordinary Shares Outstanding (Note 1)	690,813	682,813
Earnings per Ordinary Share	16.8¢	16.4¢
Earnings per Ordinary Share (Fully Diluted — Note 2)	16.4¢	15.8¢

Note 1: During the period, 12,000 preferred "A" shares were exchanged for 8,000 ordinary shares.

Note 2: The fully diluted earnings per share reflect the potential dilution resulting from the exercise of the conversion privileges on both classes of preference shares.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE SIX MONTHS ENDED AUGUST 31, 1972

	1972	1971
Funds were obtained from:		
Operations	\$ 133,955	\$ 129,844
Net income	16,943	8,506
Add non-cash charges — depreciation	\$ 150,898	\$ 138,350
Funds acquired on acquisition of subsidiary companies	—	\$ 516,125
Less: Funds used to acquire subsidiaries	—	182,371
	\$ —	\$ 333,754
	\$ 150,898	\$ 472,104
Funds were used for:		
Purchase of fixed assets — net	\$ 15,743	\$ 16,149
Dividends paid	34,642	1,250
	\$ 50,385	\$ 17,399
	100,513	454,705
Increase in funds	\$ 150,898	\$ 472,104